



**FERTILIZER CANADA**  
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# **PRE-BUDGET RECOMMENDATIONS**

## **Government of Ontario**

**Submission by Fertilizer Canada**

**January 2016**



Fertilizer Canada (formerly the Canadian Fertilizer Institute) represents manufacturers, wholesale and retail distributors of fertilizers. Our membership comprises companies that produce nitrogen, phosphate, potash and sulphur products and promote the responsible, sustainable and safe production, distribution and use of fertilizers.

Fertilizer is the backbone of Ontario's agri-food economy. In addition to CF Industries' nitrogen manufacturing facility in Courtright, large and independent agri-retailers support Ontario's farmers, helping them to feed Ontarians, Canadians and the world.

To meet the growing global challenge of feeding more people on less land, the world needs healthy soil with the nutrients to support the growth of crops; fertilizer provides the means to achieve this and its important role will only continue to grow. Fertilizer accounts for roughly 50 per cent of the world's food supply. To feed a projected population of nine billion people by 2050, food production will have to increase its per acre intensity by 70 per cent. It is important that the Government of Ontario position its farmers and the fertilizer industry to meet this challenge.

### ***The Nitrogen Fertilizer Market***

- Canada and Ontario are well placed to meet the growing demand for nitrogen fertilizer, exporting about 60 per cent of annual production.
- Natural gas is a primary input in nitrogen fertilizer. Ammonia is produced by chemically reacting natural gas with steam and air under carefully controlled conditions. Ammonia plants are highly sophisticated facilities with energy efficient operations.
- About six per cent of all natural gas consumed in Canada is used to make fertilizer.
- Typically natural gas accounts for 70 to 90 per cent of a nitrogen fertilizer facility's input cost.

### ***Working Together to Benefit Ontarians***

Fertilizer Canada has enjoyed a positive and productive relationship with the Government of Ontario, recently through the signing of a Memorandum of Cooperation on 4R Nutrient Stewardship (Right Source @ Right Rate, Right Time, Right Place®). This agreement between the government, Fertilizer Canada and the Ontario Agri Business Association will help farmers maximize crop yields while minimizing environmental impacts using the 4Rs science-based best management



practices. Sustainable water quality and land use is a priority for Ontarians and for our industry. The Government of Ontario's endorsement of the 4Rs is an important tool to reach the province's agricultural and environmental goals.

**"Farmers are excellent stewards of the land and understand how important healthy soils and clean water are for the sustainability of Ontario's agriculture sector. Ontario's agriculture industry has been a leading partner in identifying and adopting ways to reduce the sector's overall environmental impact. By working together, we have promoted initiatives, such as this, to ensure a health Great Lakes system positively benefits all Ontarians." – Jeff Leal, Minister of Agriculture, Food and Rural Affairs**

### *Recommendations*

There are several key areas where the provincial government can ensure the continued growth of Ontario's fertilizer industry while supporting the province's farmers:

#### **1. Ensuring Competitiveness**

Nitrogen fertilizer production in Ontario is highly efficient, implementing the best technology and practices currently available. However, ammonia manufacturing is energy-intensive, and energy prices are challenging the long-term competitiveness of fertilizer manufacturing in Ontario.

Increasing costs of contracted and regulated energy generation and increasing delivery rates will continue to drive energy prices up. In the recent Long-Term Energy Plan, the Government of Ontario stated that industrial rates will increase by 30 per cent by 2018. Today, Ontario's industrial energy rates are among the highest in Canada and North America. Ontario's cap-and-trade program will place additional pressure on market costs.

Ontario's industrial power users need tools to help manage the rising costs of energy. The Government of Ontario has taken some important steps towards mitigating impacts on industrial users to help them remain competitive, such as changes to the Global Adjustment allocation. Fertilizer Canada encourages the Government of Ontario to consider energy costs as a vehicle to incentivize efficient demand management and development while allowing for reduced costs to all customers by delivering benefits system-wide.



Growth in Ontario's fertilizer sector relies on its ability to remain competitive nationally and internationally, where investments are being made and new facilities coming online. In the long term, the fertilizer manufacturing sector will be critical for the growth and diversification of the province's economy.

Recommendation: Fertilizer Canada recommends that in the policies it puts forward, the Ontario government strive to create an environment conducive to a healthy, diverse, competitive manufacturing sector, which will contribute to the growth and stability of Ontario's economy and the prosperity of its residents.

## **2. Environmental Sustainability**

Ontario represents a portion of the country's most viable and productive farmland. The success of the agriculture sector in the province depends on meeting environmental concerns in a sustainable and practical manner.

The fertilizer industry takes its responsibility as stewards of our soil, air and water seriously. Sustainability can be achieved by balancing economic, social and environmental goals. Canada's fertilizer industry is science-based and committed to research and innovation to ensure environmental stewardship when fertilizer products are being used.

However, with the use of best available technology, science limits the ability of our industry to make further reductions in greenhouse gas emission levels at the point of production; a conclusion supported by a Natural Resources Canada-sponsored study.<sup>1</sup>

To offset limited reductions during manufacturing, Fertilizer Canada and our members have been proactive in developing programs to reduce environmental impacts downstream by improving fertilizer application practices.

Ontario has been a leader in nutrient management planning for crop production, formally recognizing 4R Nutrient Stewardship (Right Source @ the Right Rate, Right Time, and Right Place®) as a part of the Ontario Government's strategy to reduce nutrient runoff. The province has embraced 4R Nutrient Stewardship as a valuable tool for meeting the province's agricultural and environmental goals. The 4R Nutrient Stewardship framework is a science-based, internationally-recognized program

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<sup>1</sup> <http://www.nrcan.gc.ca/sites/oeo.nrcan.gc.ca/files/files/pdf/industrial/ammonia-study.pdf>



developed to ensure the economically efficient, environmentally sustainable and socially responsible use of fertilizer.

The subsequent Nitrous Oxide Emission Reduction Protocol (NERP) is based on the concept of 4R Nutrient Stewardship to reduce on-farm emissions of nitrous oxide, allowing farmers to produce saleable carbon credits. Through the implementation of 4R Nutrient Stewardship, farmers can reduce their nitrous oxide emissions by 15 to 25 per cent annually. The NERP, which was initially designed and successfully implemented for Alberta's greenhouse gas emissions reduction regime, is readily adaptable to benefit Ontario's farmers and the environment under the government's proposed cap-and-trade regime.

Recommendation: As the Government of Ontario finalizes its cap-and-trade regime, Fertilizer Canada recommends performance benchmarks which recognize the fertilizer industry's energy-intensive and trade-exposed nature, along with early leadership in environmental stewardship, and encourages growth and investment in Ontario's critical value-added sectors.

Recommendation: Fertilizer Canada recommends the adoption of the Nitrous Oxide Emissions Reduction Protocol (NERP) under the cap-and-trade regime to reduce agricultural emissions while generating income for the province's farmers.

### **3. Transporting Fertilizer to Farmers**

In order for Ontario's fertilizer industry and farmers to prosper, ports, railways and trucking companies need to be highly efficient and move large volumes into domestic, U.S. and offshore markets.

In Canada, the average haul distance for export fertilizers is about 2,000 km. And while most fertilizer facilities have adequate road access to reach domestic customers, an estimated 95 per cent of the industry's outbound rail shipments cannot be transferred to trucks because of factors such as large volumes of product and long distances, or specialized handling requirements.

Given these challenges, Canada requires a regulatory framework that fosters and promotes rail competition. The *Canada Transportation Act*, currently under review by the federal government, must ensure that the transportation



of key products, such as fertilizers, through the country's transportation corridors can support economic growth and prosperity. This will require improved balancing of the commercial relationship, addressing accountability, ensuring the common carrier obligation is upheld, monitoring, data reporting of performance, financial consequences addressing service performance, and effective dispute mechanisms.

Recommendation: The Government of Ontario should appeal to the federal government for policies and regulations needed to ensure that transportation remains competitive for Ontario's farmers and the fertilizer industry.

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